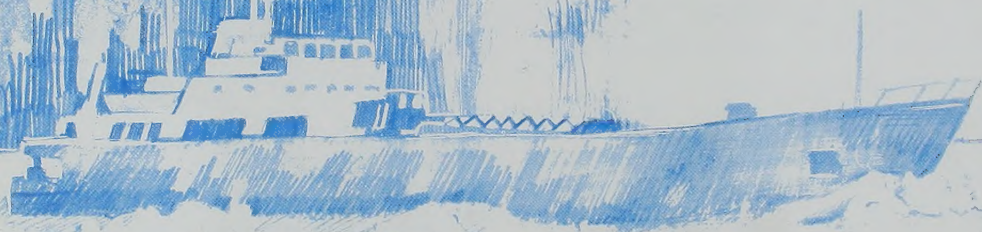


W. A. P.
file
**NORTHERN TRANSPORTATION
COMPANY LIMITED**

1969 ANNUAL REPORT



Northern Transportation Company Limited

HEAD OFFICE: Suite 800, 151 Slater St., Ottawa 4, Canada
OPERATIONS OFFICE: 10040 - 105th Street, Edmonton, Alta.

DIRECTORS

W. J. Bennett	A. B. Caywood	C. S. Cosulich
W. M. Gilchrist	W. B. Hunter	P. L. P. Macdonnell
J. H. Parker		Murray Watts

OFFICERS

President: W. M. Gilchrist
General Manager: W. B. Hunter
Secretary: R. C. Powell Treasurer: J. C. Orr

President's Letter

The Honourable Jean Chrétien,
Minister of Indian Affairs and Northern Development,
Ottawa, Canada.

Sir,

On behalf of the Board of Directors, and in accordance with Section 85(3) of the Financial Administration Act, I have the honour to submit the Annual Report of Northern Transportation Company Limited for the year ended December 31, 1969.

Total freight revenues for the year amounted to \$8,492,270, an increase of 55% over revenues for the previous year, while total operating costs increased by 54%. Profit before taxes was \$506,711, up from \$388,033 in 1968; and after providing for income tax of \$250,426, net profit transferred to surplus was \$256,285, compared with \$194,187 in 1968.

Tonnage handled increased by 24% to more than 256,000 tons, and revenue ton-miles by 58%, in both cases very close to estimate. Twenty-four new and larger barges went into service on schedule, and all three new tugs were also operating by the end of the season.

Low water a problem

A major difficulty was the record low water in many parts of the watershed, which aggravated the problems of moving equipment in certain areas and resulted in a high incidence of damage to boats and barges. Nevertheless, all freight consigned to the Company by the published deadlines was

delivered, and even some that was late in arriving at the receiving depots. It is improbable, however, that the effect of low water will be as severe in the future, because of improvements in the river channel now under way and others which are contemplated.

Increasing volume forecast

Development activities in the northern area serviced by the Company continued to expand. Oil reserves of the North Alaska coast continued to grow in a spectacular manner. In the Canadian Arctic archipelago, while exploration did not locate any commercial oil pools, appreciable reserves of gas were uncovered, increasing the already high probability of finding oil. Both of these developments have stimulated exploration in the Mackenzie watershed.

These events make it inevitable that the volume of freight will continue to increase, and the Company, as in the past, is moving to meet this continuing increase in demand by ordering additional marine equipment. It will also be necessary to expand the capacity of shore installations.

The continuing loyalty and efforts of all employees during the past year is recorded with gratitude.

For the Directors,



President

Ottawa, Canada

February 27, 1970



General Report

In 1969, freight carried amounted to a record 256,354 tons, an increase of 23.8% over the previous year's tonnage of 206,970. The additional tonnage was comprised of both bulk oil products and general freight including 26,000 tons to Prudhoe Bay compared with 6,000 tons in 1968. On the other hand, traffic to the Lake Athabaska area reflected the decreasing activity in the uranium business, and resulted in a reduction of 13,424 tons of freight to that area.

Gross freight earnings were up by 55% at \$8,492,270 compared with \$5,477,590 in 1968. Operating costs in 1969, influenced by much higher depreciation charges arising from the recent expansion of the Company's fleet, and by continuing increases in labour and material costs, were 54% higher than in 1968. As a consequence of the higher revenues, net income

from operations was up to \$893,252 compared with \$537,937 in 1968. Adding miscellaneous income of \$81,584, and deducting interest on loans of \$468,125 resulting from the extensive expansion program, the net profit before income tax, amounted to \$506,711. After-tax profit was \$256,285 compared with \$194,187 in 1968.

Water levels lowest in 35 years

The year under review saw the water levels on the Mackenzie at their lowest point in 35 years. As early as the third week of July it was evident that difficulty was going to be encountered in the Sans Sault Rapids area, and, as the season progressed, the situation deteriorated. Vessels were unable to operate with normal loads and lightering was necessary. In addition to slowing down the operation dramatically, this bottleneck made it necessary to employ more equipment than usual, including the use of shallow draft vessels to assist the larger vessels through the more difficult areas. Later in the season, similar difficulties were encountered at other points on the river.

Another effect of the low water was excessive damage to equipment. Fortunately, however, despite these difficulties, no significant cargo losses were encountered. Again, fortunately, a reasonably mild autumn permitted operating somewhat later than usual, and all freight was delivered and equipment returned for wintering at normal lay-up points.

The Sans Sault bottleneck must be improved before the 1970 season if the anticipated tonnage movement by the Company and other carriers is to be carried out. The Federal Department of Public Works has underway at this time a program of drilling and blasting designed to clear a reasonably adequate channel through the Sans Sault by mid-1970. Thereafter, it is contemplated that other difficult spots will receive similar attention, an essential if this Canadian waterway is to be developed to the point where it can serve the rapidly expanding needs of the Mackenzie and the Arctic.

Continued on Page 7



The tanker "PINNEBOG" entering the floating drydock at the Arctic base of Northern Transportation Company at Tuktoyaktuk, N.W.T.

NORTHERN TRANSPORTATION COMPANY LIMITED

and subsidiary company

Consolidated Statement of Income and Expense

for the year ended December 31, 1969

(with comparative figures for the year ended December 31, 1968)

	1969	1968
Income:		
Freight earnings	\$ 8,492,270	\$ 5,477,590
Expense:		
Operation and maintenance:		
Salaries and wages	2,600,440	1,894,233
Depreciation	2,127,629	888,899
Repairs and maintenance	1,225,938	889,668
Fuels and lubricants	464,793	306,554
Messing	143,687	135,485
Pallets	87,089	52,569
Transportation of employees	82,098	56,864
Truck and tractor maintenance	75,604	34,501
Insurance	73,769	45,816
Grants in lieu of municipal taxes	43,444	35,833
Wharfage, demurrage and railway spur	24,389	27,572
Miscellaneous	70,625	50,250
	<u>7,019,505</u>	<u>4,418,244</u>
Administration:		
Executive officers' salaries	71,267	56,364
Other salaries	115,769	112,377
Employee benefits	147,126	132,518
Head office	92,000	92,000
Business tax	24,870	15,834
Telephone and telegraph	22,317	16,852
Travel	20,236	9,893
Provision for doubtful accounts	17,253	17,544
Advertising and public relations	16,790	21,383
Stationery and office supplies	12,432	14,939
Depreciation	11,054	10,720
Miscellaneous	28,399	20,985
	<u>579,513</u>	<u>521,409</u>
	<u>7,599,018</u>	<u>4,939,653</u>
Net income from operations	893,252	537,937
Other Income:		
Interest on investments	77,000	48,064
Gain on disposal of capital assets	4,584	(197,998)
	<u>81,584</u>	<u>(149,934)</u>
	974,836	388,003
Interest on loans from Canada	468,125	—
	<u>506,711</u>	<u>388,003</u>
Provision for income tax	250,426	193,816
Net Income	<u>\$ 256,285</u>	<u>\$ 194,187</u>

The accompanying notes are an integral part of the financial statements.

Consolidated Statement of Retained Earnings

for the year ended December 31, 1969

(with comparative figures for the year ended December 31, 1968)

	1969	1968
Balance at January 1	\$ 7,104,995	\$ 6,910,808
Net income for year	256,285	194,187
Balance at December 31	<u>\$ 7,361,280</u>	<u>\$ 7,104,995</u>

The accompanying notes are an integral part of the financial statements.

NORTHERN TRANSPORTATION

and subsidiaries

(Incorporated under the laws of the State of New York)

Consolidated Balance Sheet

at December 31, 1969
(with comparative figures for 1968)

ASSETS		1969	1968
Current Assets:			
Cash	\$	259,933	\$ 283,013
Short-term deposits		1,600,000	—
Accounts receivable		1,425,943	885,488
Operating and general supplies, at cost		600,142	441,353
Prepaid expense		28,042	330
		<u>3,914,060</u>	<u>1,610,184</u>
Short-term Deposits held for			
Insurance Investment Fund		500,000	500,000
Capital Assets, at cost:			
Land		141,526	116,721
Buildings, including equipment		6,514,010	5,751,437
Boats and barges, including equipment		25,727,982	15,583,876
Automotive equipment		2,045,890	1,532,087
Other		181,903	145,815
		<u>34,611,311</u>	<u>23,129,936</u>
Less: Accumulated depreciation		18,381,322	16,690,287
		<u>16,229,989</u>	<u>6,439,649</u>
		<u>\$ 20,644,049</u>	<u>\$ 8,549,833</u>

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board

W. M. GILCHRIST, *Director*

MURRAY WATTS, *Director*

TION COMPANY LIMITED

ry company

Canada Corporations Act)

Balance Sheet

er 31, 1969

at December 31, 1968)

LIABILITIES

	1969	1968
Currents Liabilities:		
Accounts payable	\$ 1,709,356	\$ 428,738
Loans from Canada due within one year (Note 2)	2,140,903	—
Income tax payable	—	154,682
	<u>3,850,259</u>	<u>583,420</u>
 Loans from Canada (Note 2)	 <u>7,000,000</u>	 <u>—</u>
 Deferred Income Tax (Note 3)	 <u>777,024</u>	 <u>209,418</u>
 Capital:		
Capital Stock:		
Authorized — 50,000 shares of no par value		
Issued — 1,520 shares, fully paid	152,000	152,000
Reserve for insurance	500,000	500,000
Contributed surplus (Note 4)	1,003,486	—
Retained earnings	7,361,280	7,104,995
	<u>9,016,766</u>	<u>7,756,995</u>
	<u>\$ 20,644,049</u>	<u>\$ 8,549,833</u>

I have examined the above Consolidated Balance Sheet and the related Consolidated Statement of Income and Expense and have reported thereon under date of March 20, 1970 to the Minister of Indian Affairs and Northern Development.

A. M. HENDERSON,
Auditor General of Canada

NORTHERN TRANSPORTATION COMPANY LIMITED

and subsidiary company

Notes to Financial Statements

1. Subsidiary Company

The Company now has one wholly-owned and inoperative subsidiary company, Yellowknife Transportation Company Limited, having surrendered the charters of Arctic Shipping Limited and Decury Supply Limited during the year. Their assets were taken over and their liabilities assumed by Northern Transportation Company Limited in an earlier period.

2. Loans from Canada

As provided for by Vote L70 in 1968-69, Appropriation Act No. 4, 1968, 1968-69, c.11, and Vote L90 in 1969-70, Appropriation Act No. 3, 1969, 1968-69, c.36, the Company was authorized to borrow an aggregate of \$11,000,000 in accordance with terms and conditions prescribed by the Governor in Council to finance the acquisition of transportation facilities for use on the Mackenzie River and Central Arctic Coast. During the year the Company borrowed \$10,000,000 and repaid \$1,000,000, leaving a balance of \$9,000,000 outstanding at the year-end. Of this amount, \$2,000,000, together with accrued interest of \$140,903, is repayable in 1970 and the balance in the years 1971 to 1974.

3. Deferred Income Tax

The Company records depreciation based on the expected useful life of its capital assets but claims maximum capital cost allowance permitted under the Income Tax Act in calculating its taxable income. The Deferred Income Tax account is credited with the income tax payable on the excess of capital cost allowance over depreciation and is charged when the converse prevails. In 1969 the account was credited with \$567,606.

4. Contributed Surplus

During the year the Company acquired deposits made by three shipowners with the Department of Industry, Trade and Commerce, in connection with the construction by the Company of three tugs and twenty-four barges. These deposits totalled \$3,797,491, of which \$2,715,560 was remitted to the three companies concerned, \$73,409 was paid to brokers for negotiating the transactions, \$5,036 was disbursed as legal fees, and the balance of \$1,003,486 was recorded by the Company as contributed surplus.

5. Remuneration of Directors

Total remuneration of directors as directors, officers or employees of the Company for the year was \$43,700.

AUDITOR GENERAL OF CANADA

Ottawa, March 20, 1970.

The Honourable Jean Chrétien,
Minister of Indian Affairs and
Northern Development,
Ottawa.

Sir,

I have examined the accounts and financial statements of Northern Transportation Company Limited and its subsidiary company for the year ended December 31, 1969. In compliance with the requirements of section 87 of the Financial Administration Act, I report that, in my opinion:

- (a) proper books of account have been kept by the Company and its subsidiary;
- (b) the financial statements of the Company and its subsidiary
 - (i) were prepared on a basis consistent with that of the preceding year and are in agreement with the books of account,
 - (ii) in the case of the balance sheet, give a true and fair view of the state of the affairs of the Company and its subsidiary as at the end of the financial year, and
 - (iii) in the case of the statement of income and expense, give a true and fair view of the income and expense of the Company and its subsidiary for the financial year; and
- (c) the transactions of the Company and its subsidiary that have come under my notice have been within the powers of the Company and its subsidiary under the Financial Administration Act and any other Act applicable to the Company and its subsidiary.

Yours faithfully

A. M. HENDERSON,
Auditor General of Canada.

General Report . . . from Page 2

Arctic conditions good

In the Arctic, conditions east of Tuktoyaktuk were good all season, and with the additional capacity built into the M.V. "Frank Broderick" prior to the start of the season, and with the use of one of the three new tugs, a successful operation was completed in this area. However, during the entire operating season the ice west of Tuktoyaktuk presented a problem on every trip to this area; nevertheless all deliveries were successfully completed.

Planning for the future

Capital expenditures during 1969 amounted to \$11,933,870; \$10,448,619 for additional tugs and barges, and \$1,485,251 for improvements to marine equipment and land-based installations.

Because of the success of oil exploration in Alaska, the continuing exploration for oil and gas in the Arctic islands and in the Mackenzie delta, and the general increase in ancillary activities spurred by these programs, it has become apparent that the Company must plan for a further increase in traffic. Accordingly, contracts are being negotiated for eight new 250-ft. barges, the largest to date, and another 4500 h.p. tug, for delivery in 1970.

Total capital expenditures planned for the 1970 season will involve an outlay of some \$10,900,000. In addition to the new tug and barges, expenditures will include the first phase of construction of a Syncrolift for the handling (dry-docking) of marine equipment, the extension of docks and loading areas at Hay River, new facilities at Inuvik, miscellaneous additional agency buildings, and the regular upgrading of equipment.

Until 1969, all capital expenditures had been financed out of earnings. However, the massive capital requirements of the 1969 programs made it



Resembling naval flat-tops in this aerial view of Northern Transportation Company's shipyard at Hay River, N.W.T., are some of the 200-foot barges of 1000-ton capacity constructed in 1969.

necessary for the first time to finance by loans and further borrowings will be required in 1970.

At the peak of 1969 season, the work force numbered 598 of whom 174 were residents of the area serviced by the Company. Wages and salaries paid amounted to \$3,311,849, and in addition, the Company contributed \$147,131 to the pension and group medical welfare plans.

The History of Northern Transportation Company Limited

Transportation by water always has been a key factor in the development of the Canadian Far North. For many years canoes, rafts and batteaux served the needs of the native populations, the explorers, the traders, trappers and prospectors, who plied the lakes and rivers of the Northwest Territories. The kayaks of the Eskimo were the only craft on the Western Arctic.

In 1931 two Edmonton businessmen, C. Becker and C. Murdoff, began to provide service as a common carrier on the Mackenzie River between Waterways, Alberta, and Aklavik, N.W.T. Their enterprise bore the name Northern Waterways Limited and made a modest beginning with one wooden vessel and two barges. In 1933 the service was extended into Bear River and Great Bear Lake to meet the needs of the Eldorado Mine at Port Radium.

The company changed hands in 1934 and the name was altered to Northern Transportation Company Limited. Eldorado Gold Mines Limited acquired the company in 1936, primarily to assure continuing and adequate service to its mine, but operation as a common carrier was maintained and the fleet was enlarged and modernized. Northern Transportation Company Limited became a Crown corporation after its parent, Eldorado Mining and Refining Limited (now Eldorado Nuclear Limited), was expropriated by the Government of Canada.

Initiation of the Canol Project in 1941, and re-opening of the Port Radium mine in 1942, brought all Northern Transportation Company equipment into service for the duration of World War II. When the Canol Project was abandoned in 1944, the Company contracted to bring out 25,000 tons of equipment and materials. When this major task was complete, the Company carried on as a carrier of a growing volume of commercial freight.

In 1946 all transportation on the Mackenzie system was brought under regulations of the Board of Transport Commissioners. When Hudson's Bay Transport discontinued operation as a common carrier in 1947, Northern Transportation Company added vessels to handle the additional freight.

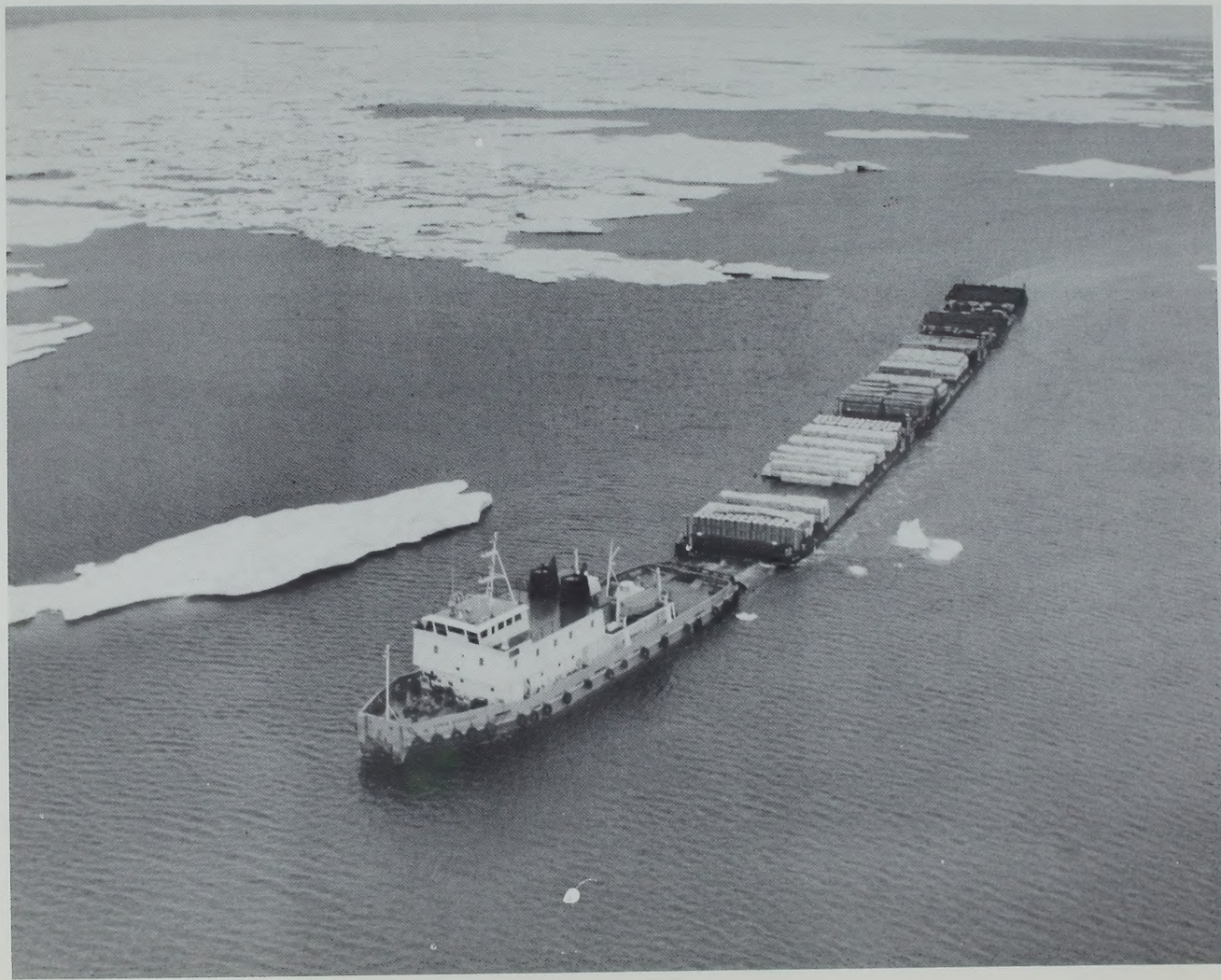
The Company extended its operations into the Western Arctic for the first time in 1949, when it was requested by the R.C.A.F. to operate the supply ship "Snowbird" between Tuktoyaktuk and Cambridge Bay. Subsequently, the "Radium Dew" and three steel barges were built for delivery of construction materials and equipment for six DEW Line installations in the Mackenzie Delta, beginning in 1955. Three years later the Company began re-supply of 25 DEW Line sites along the Arctic Coast, operating LST's and tankers made available under a loan agreement between the United States and Canadian governments.

When uranium mines around Lake Athabasca were coming into the development and production stage in 1956, Northern Transportation Company built three new vessels and 27 steel barges to take care of the heavy increase in freight. Some of this equipment went into mothballs in 1960, when five mines in the Beaverlodge area, as well as the Port Radium mine, ceased operations.

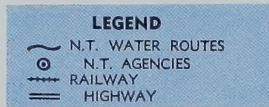
In 1963, at the request of the Hudson's Bay Company, Northern Transportation Company took over the Arctic freight service provided by that organization, and acquired the motor vessel "Banksland." The following year construction was started on the motor vessel "Frank Broderick", which began plying out of her home base Tuktoyaktuk in July 1965.

Early in 1965 the Company acquired Yellowknife Transportation Company Limited, Arctic Shipping Limited and Decury Supply Limited, which had carried on somewhat parallel shipping services, now integrated with those of Northern Transportation Company. The fleet now comprises 24 tugs, all equipped with two-way radio, radar, and echo-sounders; 134 all-steel barges of various types and sizes, including some refrigerated units; and the 2 Arctic cargo vessels. A further eight 250-ft. steel barges and another tug for use in the Arctic are under construction.

The new 4000-HP tug "ANGUS SHERWOOD" with a tow of barges proceeding West from Tuktoyaktuk with oil well supplies for the Prudhoe Bay projects.



*Symbol of Service
in the Canadian North*



*A 4,000-mile System
Embracing
the Mackenzie Basin,
and the Western Arctic
from Boothia Peninsula
to Prudhoe Bay in Alaska*